

Message Text

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ACTION H-03

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R 031225 Z MAY 73

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TO SECSTATE WASHDC 5127

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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E. O. N/A

TAGS: OREP, EEC, ENRG (CODEL CANNON) O

SUBJ: CODEL CANNON MEETING WITH EC COMMISSION-- ENERGY

REF: EC BRUSSELS 2369

1. SUMMARY. EC COMMISSION VICE PRESIDENT SIMONET ON MAY 2 REVIEWED FOR CODEL CANNON MEMBERS THE COMMISSION' S THINKING ON THE ENERGY SITUATION INCLUDING THE NEED FOR INTERNATIONAL COOPERATION. HE SPERIFICALLY SOUGHT TO ALLAY ANY US FEARS THAT THE COMMISSION INTENDS TO BUILD AN EXCLUSIVE RELATIONSHIP WITH MIDDLE EASTERN OIL PRODUCING STATES BY RULING OUT THE POSSIBILITY OF PREFERENTIAL AGREEMENTS WITH THEM. HE WELCOMED THE PRESIDENT' S ENERGY MESSAGE AS A REALISTIC AND CONSTRUCTIVE DOCUMENT. HE CODEL MEMBERS STRESSED THE US INTEREST IN
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COOPERATION AMONG CONSUMER COUNTRIES AND, IN LIGHT OF THEIR TRIP TO THE SOVIET UNION, EXPRESSED THE VIEW THAT THE SOVIETS ARE SERIOUSLY INTERESTED IN DEVELOPING THEIR ENERGY RESOURCES FOR EXPORT. END SUMMARY.

2. SIMONET FIRST SKETCHED THE COMMUNITY'S ESTIMATE OF FUTURE ENERGY NEEDS ALONG LINES PREVIOUSLY REPORTED BY THE MISSION; I. E., BY 1985 THE COMMUNITY WILL NEED ABOUT TWICE ITS PRESENT ENERGY CONSUMPTION OF 830,000,000 TONS PETROLEUM EQUIVALENT. OVER THE LONGER- TERM THE COMMUNITY HOPES THAT DEVELOPMENT OF NUCLEAR TECHNOLOGY WILL MAKE IT POSSIBLE TO REDUCE SUBSTANTIALLY THE SHARE OF PETROLEUM IN THE COMMUNITY'S TOTAL ENERGY CONSUMPTION.

3. SIMONET SAID THAT, EVEN WITH CONTINUED AVAILABILITY OF ENRICHED URANIUM THROUGH THE AEC, EUROPE WILL NEED ITS OWN ENRICHMENT CAPACITY. HE ALSO SAID THE COMMISSION UNDERSTANDS THAT, IF THE US IS TO INCREASE CAPACITY FOR ENRICHED URANIUM SUPPLY, IT WILL NEED COMMITMENTS FROM ITS FOREIGN CUSTOMERS. SIMONET THOUGHT THAT THERE WAS NO CONFLICT BETWEEN THE GOAL OF A EUROPEAN CAPACITY AND CONTINUED IMPORTS FROM THE US SINCE BOTH WILL BE NECESSARY GIVEN EUROPE'S TOTAL ENERGY REQUIREMENTS.

4. SIMONET ALSO SUMMARIZED THE EC COMMISSION'S ENERGY PROPOSALS ALONG LINES PREVIOUSLY REPORTED, RECOGNIZING, HOWEVER, THAT THE COUNCIL MIGHT NOT APPROVE THEM IN THE FORM PRESENTED: THE COMMISSION FAVORS PERMANENT COOPERATION AMONG IMPORTING COUNTRIES; WANTS TO AVOID, AT THE SAME TIME, THE APPEARANCE OF A BLOC OF CONSUMERS FACING OPEC; FAVORS CONSTRUCTIVE EUROPEAN RELATIONS WITH OIL PRODUCING COUNTRIES SUCH AS IRAN AND SAUDI ARABIA BUT NOT REPEAT NOT PREFERENTIAL AGREEMENTS. IN STRESSING THE LATTER POINT, SIMONET SAID THAT A PREFERENTIAL APPROACH WOULD BE IN CONFLICT WITH THE COMMISSION'S AIM OF PROMOTING BETTER COOPERATION WITH CONSUMING COUNTRIES.

5. THE COMMISSION ALSO FAVORS A HARMONIZED OR COMMON ENERGY POLICY WITHIN THE COMMUNITY. THIS WOULD INEVITABLY HAVE TO REPRESENT A COMPROMISE AMONG PRESENT POLICIES OF THE MEMBER STATES. THE LATTER VARY FROM A HIGH DEGREE OF LIBERALISM AND FREEDOM OF ACTION FOR THE MAJOR OIL COMPANIES TO FAIRLY LIMITED OFFICIAL USE

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TIGHT PUBLIC CONTROL OF THE MARKET. THE COMMISSION FAVORS A SYSTEM IN WHICH IT WILL BE ABLE TO GET VITAL PRICE AND OTHER INFORMATION FROM THE COMPANIES AND WILL BE ABLE TO ORGANIZE A PERMANENT KIND OF COOPERATION QUOTE (CONCERTATION) ANQUOTE WITH THEM. LASTLY, THE COMMISSION WOULD FAVOR A PRACTICAL AND REALISTIC APPROACH TO ENVIRONMENTAL QUESTIONS SO THAT NECESSARY PROGRESS IN THE ENERGY FIELD IS NOT BLOCKED.

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6. MISSION COMMENT: IT IS INTERESTING THAT SIMONET WENT OUT OF HIS WAY TO REASSURE THE CODEL MEMBERS ABOUT THE COMMISSION'S DESIRE FOR COOPERATION WITH THE US. HIS SPECIFIC DISAVOWAL OF ANY INTENTION TO SEEK EC PREFERENTIAL ARRANGEMENTS WITH OIL PRODUCING COUNTRIES SUCH AS IRAN OR SAUDI ARABIA IS NOTEWORTHY. SIMONET TOOK THE INITIATIVE TO MEET WITH AMBASSADOR GREENWALD AND MAKE SIMILAR POINTS TO HIM PRIVATELY LAST WEEK. SIMONET DID THIS BY DISAVOWING HIS MARCH 28 SPEECH TO WHICH WE HAD OBJECTED. (EC BRUSSELS 1784). END COMMENT.

7. SENATOR PEARSON SAID THAT THE PRESIDENT'S ENERGY MESSAGE WAS INTENDED PRIMARILY TO DEAL WITH DOMESTIC ASPECTS OF THE ENERGY SITUATION. IT NEVERTHELESS INCLUDED A PASSAGE ON INTERNATIONAL COOPERATION. THIS, TOGETHER WITH THE SPECIFIC REFERENCE TO ENERGY IN THE KISSINGER SPEECH, WAS CLEAR INDICATION OF
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THE US INTEREST IN WORKING WITH OUR FRIENDS IN THIS FIELD.
SENATOR GRIFFIN ENDORSED THIS POINT AND STATED THAT ENERGY
COOPERATION SHOULD BE HIGH ON THE ATLANTIC AGENDA.

8. SIMONET RECALLED THAT THE US IS NO LONGER IN A POSITION
TO MAKE UP EUROPEAN DEFICIENCIES IN CASE OF CRISIS AS IN 1956
OR 1967. HE CONSIDERED IT OF SPECIAL IMPORTANCE THAT WESTERN
EUROPE, THE US AND JAPAN BEGIN PLANNING ON WAYS AND MEANS
TO COPE WITH ANY FUTURE CRISIS. EVEN A BRIEF INTERRUPTION
OF OIL SUPPLIES COULD CAUSE GRAVE DISTURBANCES TO EUROPE AND
TO RELATIONS AMONG WESTERN COUNTRIES.

9. SIMONET AND DIRECTOR GENERAL SPAAK INDICATED THAT THE
COMMISSION IS STILL NOT CLEAR ON SOVIET INTENTIONS IN THE
ENERGY FIELD. APPARENTLY, THE USSR IS INTERESTED IN EXPORTING
ENRICHED URANIUM TO THE COMMUNITY. THIS COULD BE SIGNIFICANT
BOTH POLITICALLY AND ECONOMICALLY. MORE BROADLY, THE USSR
IS SELF-SUFFICIENT IN PETROLEUM BUT IT IS NOT YET REALLY COMPE-
TITIVE ON WORLD MARKETS. THIS MEANS THAT THE USSR MUST HAVE AN
INTEREST IN HIGH WORLD MARKET PRICES. THEY ALSO OBVIOUSLY
HAVE A GREAT NEED FOR WESTERN TECHNOLOGY AND CAPITAL. WHETHER
THEY COULD REALLY BECOME A RELIABLE ALTERNATIVE TO MIDDLE
EASTERN SOURCES IS STILL VERY QUESTIONABLE, HOWEVER. SENATOR
CANNON AND OTHER CODEL MEMBERS REPORTED THEIR IMPRESSION THAT
THE SOVIETS ARE SERIOUSLY INTERESTED IN LONG-TERM CONTRACTS
(RUNNING TO 30 YEARS OR MORE) IN ORDER TO DEVELOP THEIR
RESOURCES.

10. SOAMES AND DIRECTOR GENERAL WELLENSTEIN POINTED OUT THAT
THE US MAY RUN INTO THE SAME DIFFICULTIES WESTERN EUROPE
HAS EXPERIENCED IN TRADING WITH THE SOVIETS-- LACK OF GOODS
(APART FROM ENERGY SOURCES) OR HARD CURRENCY WITH WHICH THE
SOVIETS CAN MAKE PAYMENT. WELLENSTEIN ALSO NOTED THAT SIBERIAN
ENERGY RESOURCES, IF DEVELOPED, WOULD BE CLOSER TO THE US
THAN TO WESTERN EUROPE. GREENWALD

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